



USAID, ANACAFE, SCAA PARTNERSHIP FOR TASTE AND TRUST



AID/ANACAFE Small Farmer Coffee Project

1990 to 2001

- Focus on improving small farmer productivity in SHB coffee areas above 1,100 meters
- Investment in wet “beneficios” to increase quality.

Results:

- Combination of credit and technical assistance resulted in productivity increases for 38,000 small farmers from 9 to 29 qq. per hectare
- Construction of 38 wet “beneficios”
- Increased quality of exports : In 98/99 42% of Guatemalan exports were SHB compared to 24% in 90/91

THE NEW REALITY

- 
- World coffee supply exceeds demand.
 - Lowest world coffee prices in decades – prices lower than production costs.
 - Livelihood of thousands of small coffee producers and coffee workers threatened.
 - Macroeconomic stability of USAID LAC client countries threatened.

Present situation: oversupply, marketing constraints

115 million
bags
production

57 producing countries



Thousands of exporters

\$7 billion



4 international trading groups



4 roasters/retailers

\$55 billion



consumer

98 million
bags
consumption



Traditional marketing of coffee inhibits values

- Coffee prices are mostly based on commercial standards, as reflected in futures market, with no distinction for regional and grade differences.
- There is no name regulation therefore are lots of confusion and deliberate misinformation.



Old vs. New Solutions

Old Solutions

- Restrict supply to increase prices
- Public bailouts that threaten macroeconomic stability

New Solutions

- Need to recognize that coffee quality (rather than price, customer demand, or convenience of supply) is the overwhelming criterion for industry purchasing decision, followed by consistency of supply.
- Focus on improving the quality of coffee as a means of increasing the value and volume of coffee sold.
- Produce more high quality specialty coffees (including organic, shade, and fair trade) that receive premium prices and provide environmental and social benefits to producers.

Present Coffee Marketing Situation

Commodity Markets

NY (Arabica) London (Robusta)
(93% of world production)

Expansion of exportable supply is
greater than the growth of
demand



Increase in the level of stocks in
consuming countries



Strong impact in the drop of
international prices

Specialty Coffee

“Great Taste – No Defects”
Including Organic, Fair-Trade, Shade
(7% of world production)

International Demand increasing



Premium market price



Incomes maintained and/or
increased

Alternatives for Coffee in the Region

Opportunities

We need to take advantage of the specialty coffee market niche

*Studies indicate that specialty coffee derives its value from:**

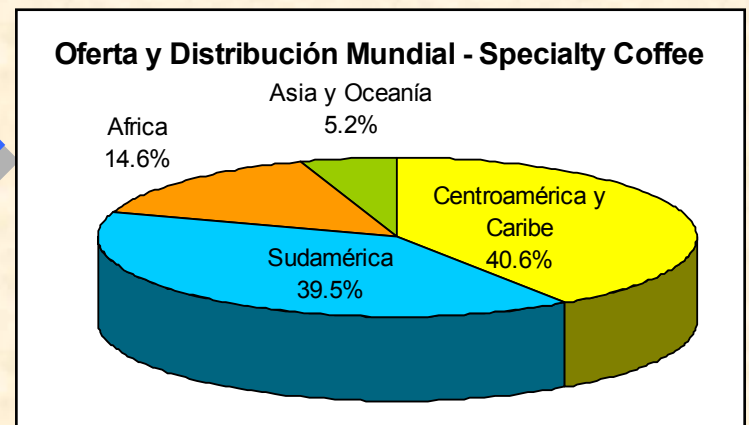
- Coffee quality
- Opportunities for differentiation
- Demand by informed consumers
- Greater profit margins

*Annual Growth
Rate**

- Specialty 8%
- Organic 20%
- Fair Trade 4%
- Shade 2%

** Daniele Giovannucci. Sustainable Coffee Survey of the North American Specialty Coffee Industry. May 2001*

Identify opportunities for increasing market participation



('000)	Producción	Specialty	%
Costa Rica	2,400	1,020	42.5%
El Salvador	2,112	300	14.2%
Guatemala	4,494	1,500	33.4%
Honduras	2,668	140	5.2%
Nicaragua	1,100	55	5.0%
Rep. Dominicana	1,000	40	4.0%

Fuente: SCAA, 2000/01 estimates

Message from Ted Lingle of the SCAA

“The ‘folks with the bucks’ are willing to share with the farmers if they get something back (higher quality) in return.”

The reason to focus on the specialty market is:

- ✓ It generates 15% of the unit sales volume, 30% of the \$ sales, and 50% of the profit margin in North America;
- ✓ Approximately 80% of the unit volume of specialty coffee sold in North America is produced in Latin America;
- ✓ The specialty coffee supply chain recognizes the importance of making coffee farming in Latin America a sustainable economic activity as a viable and long-term business strategy.

USAID/ANACAFE/SCAA ACTIONS 2002 to 2004

I. Quality Certification Schemes

A. Source Origin

B. Sustainable Certification

II. Expansion of Internet Auction

III. Direct Small Farmer Exports of Quality Coffee

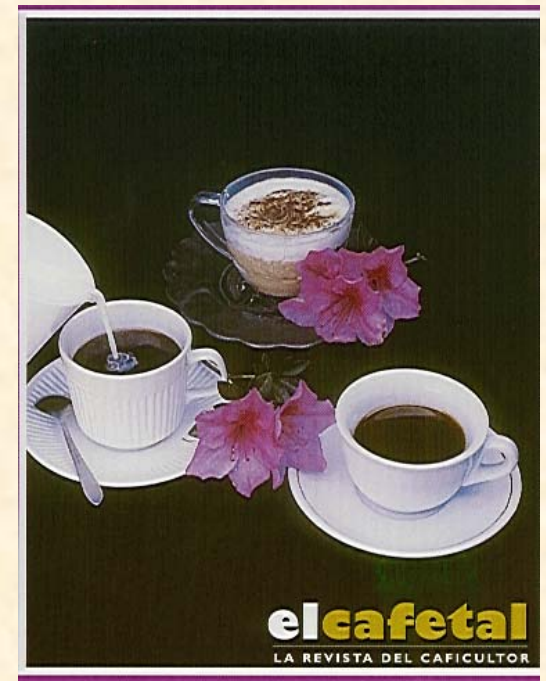
IV. Increased Value Added in Guatemala

V. Diversification



Program Concepts

- Emphasis on: **TASTE & TRUST.**
- Develop new coffee source/origin certification systems similar to wine industry.
- **Give value** to small holders and **use that value** to leverage enterprises to market unique, differentiated coffees.
- Bring the consumer and farmer together through the internet.
- Alliance with Specialty Coffee Association of America (SCAA) to help guide taste & trust efforts and promote linkages between U.S. corporate interests and small farmers (i.e. Proctor & Gamble and Technoserve).



The Structure of Guatemala's Production

Guatemala's
advantage →

Type	Production 1988 - 1989 60-kilo bags	Altitude	Harvest season
Hard	1,603,098	4,000-4,500 feet 1,225-1,400 meters	December / January
Semi-Hard	202,024	3,500-4,000 feet 1,100-1,225 meters	October / November
* Extra Prime	566,062	3,000-3,500 feet -1,100 meters	September / October
* Prime	638,844	2,000-3000 feet 600-900 meters	September / October

* areas for diversification

Challenge: How To Ensure trust?

Guatemalan Antigua Coffee

100,000 bags of world consumption

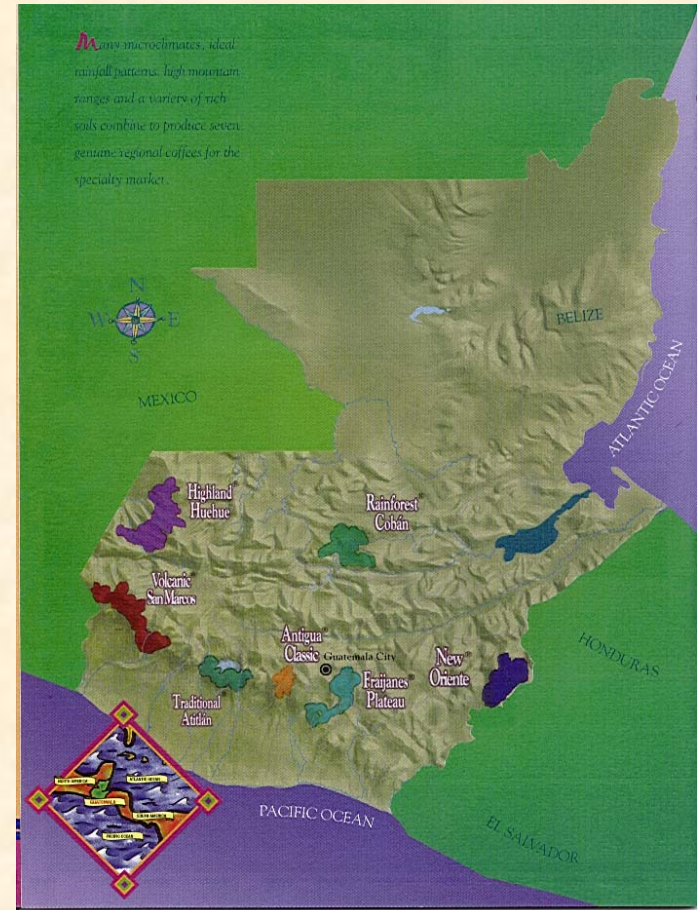
45,000 bags produced



I.A. Source Origin Certification

1. Identify Value Added Coffees through Appellation Designation of Coffee Growing Regions (DCA).

- o **Regional coffees** - Rainforest Coban, Antigua Classic, Fraijanes Plateau, Highland Huehue, Volcanic San Marcos, and New Oriente.



I.A. Source Origin Certification

2. Establish High Quality Standards through Registration of Appellation Marks.



I.A. Source Origin Certification



3. **Create Verification Systems** through GIS/GPS Identity of Producer DCA Marks and a Appellations Guarantee Tracking System (TAGS).



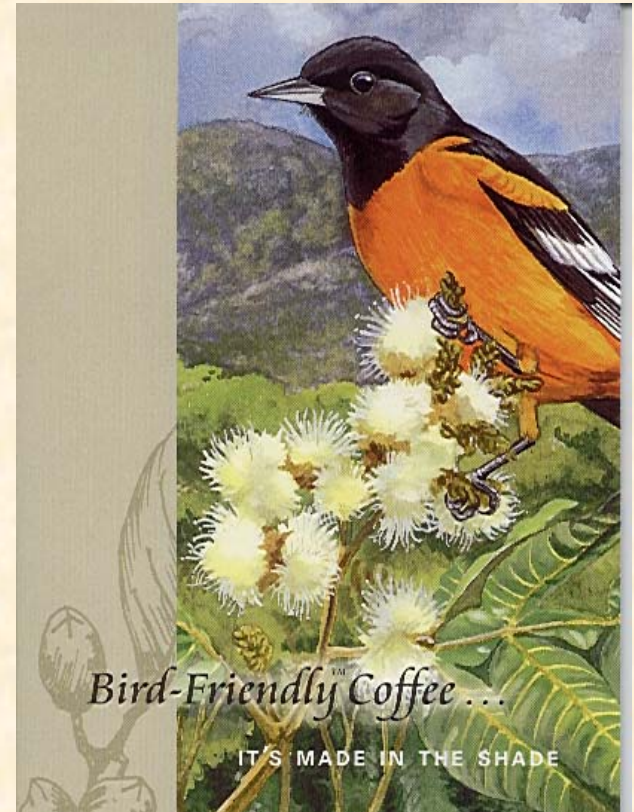
I.A. Source Origin Certification

4. **Expand Favorable Prices** through an Appellation (GIS/GPS) Map on Internet Information Platform.



I.B. Organic, Shade Grown, and Fair Trade Coffee Certification through PROARCA

- Organic, shade grown, and fair trade coffees are sub-sets of the specialty market. They are viable products when their cup quality meets the specialty standards.
- PROARCA produced a catalogue of all certification options for Central America and increased the awareness of coffee producers and marketers on the requirements, advantages, and disadvantages of each.



Present Sources of Sustainable Coffees

- **Organic Coffee** - Colombia, Costa Rica, **Guatemala**, Indonesia, Mexico, and Peru
- **Fair Trade** - Colombia, Costa Rica, **Guatemala**, and Mexico
- **Shade Coffee** - Colombia, Costa Rica, **Guatemala**, and Mexico



II. Expansion of Internet Auction

- The first internet auction in 2001 was a success - 107 producers and 23 international cuppers participated.
- Coffee from a USAID/ANACAFE Small Farmer Coffee Project assisted farm in Escuipulas, near the border with Honduras, won the international cupping competition.
- Financing will be provided to small farmers so they can participate in future auctions

Don Fabio Solis, the Winner!



Don Fabio personally supervises every part of the process. He dedicates 100% of his time and effort to the plantations, from the hand-harvest through the wet-milling and sun-drying of his grains.

III. Increased Small Farmer Direct Exports

- In order to export directly small farmers need to guarantee quality and quantity.
- Small farmers have natural advantage with sustainable coffees



- Several small farmer organizations - FEDECOVERA, ASOBAGRI, Voz que Clama en el Desierto, have had successful experiences with direct exports of sustainable coffees that can be replicated

Increased Value Added Exports

- **Direct export of roasted ground coffee.**
- **Investment in a small decaffeinating plant to export specialty decaffeinated coffee.**



V. Diversification

- Low elevation, low quality producers need to diversify into other crops, primarily tree crops.



- Market driven diversification: *Produce what can be marketed vs. market what can be produced.*

SCAA Proposal for Pure Coffee Labeling

Triage coffees: black, unripe, and fermented beans that don't add to the flavor of the cup, about 15% of world production.

Roasters buy triage coffees for 10 to 20 cents per lb., mix them into commercial blends that sell for 3 to 4 dollars per lb.

SCAA proposed solution:

- Label them for what they are as part of international law and let consumers decide if they want them**
- Get producing countries to remove them from local markets as well**